

Exhibit C

Oren Blonstein Deposition Transcript Excerpts

In the Matter Of:

In Re - Celsius Network LLC

OREN BLONSTEIN

November 22, 2022



1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3

4 In re)
5 CELSIUS NETWORK LLC,)
6 et al.,) Case No.
7 Debtor.) 22-10964 (MG)
8)
9)

10

** CONFIDENTIAL **

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12

13 VIDEO RECORDED EXAMINATION OF

14 OREN BLONSTEIN

15

16 TAKEN ON

17

TUESDAY, NOVEMBER 22, 2022

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22

CERTIFIED STENOGRAPHER:

23 JESSIE WAACK, RDR, CRR, CCRR, NYRCR, NYACR,
24 CCR-NJ (No. 30XI008238700) CSR-TX (No. 11958)
25 CCR-WA (No. 21007264), CSR-CA (No. 14420),
REALTIME SYSTEMS ADMINISTRATOR
JOB NO.: 872582

PROCEEDINGS

November 22, 2022, 9:51 a.m.

New York, New York

THE VIDEOGRAPHER: Good morning,
everyone. We are now on the record.

My name is Kevin-Scott van Vlijmen.

I'm the videographer retained by
Lexitas.

This is a video deposition for
the United States Bankruptcy Court,
Southern District of New York.

Today's date is November 22 of
2022, and the video time is 9:51 a.m.

This deposition is being held
both remotely via Zoom as well as in
person at Kirkland & Ellis LLP, at
601 Lexington Avenue, New York,
New York, 10022, in the matter of In
Re: Celsius Network LLC, et al., Case
No. 22-10964 (MG).

The deponent is Oren Blonstein.

All counsel will be noted on the
stenographic record.

Our court reporter is Jessica
Waack and will now swear in the
witness.

OREN BLONSTEIN, sworn
on oath and/or affirmed, called as a
witness herein, was examined and testified
as follows:

THE VIDEOGRAPHER: You may
proceed.

MS. BRIER: At the outset, I'm
just going to designate this transcript
as confidential -- the entire
transcript as confidential.

ZOOM PARTICIPANT: On Zoom, you
can't [inaudible] do that?

MS. BRIER: You can't hear us?

THE STENOGRAPHER: I think
someone just wasn't muted.

ZOOM PARTICIPANT: You are
currently muted.

THE STENOGRAPHER: Can we go off
the record?

THE VIDEOGRAPHER: Yes. All

1 right.

2 The time is currently 9:53 a.m.

3 And we are going off the record for

4 Media Unit No. 1.

5 (Whereupon, a recess was taken at

6 9:53 a.m.)

7 THE VIDEOGRAPHER: All right.

8 The time is currently 9:53 a.m. And

9 we're back on the record for Media Unit

10 No. 1.

11 MS. BRIER: At the outset, I am

12 going to designate the entire

13 transcript as confidential under the

14 terms of the protective order.

15 No information discussed during

16 this deposition may be recorded or

17 publicly disclosed whether orally, on

18 Twitter, on podcasts or any other

19 means.

20 At this point, the only

21 individuals who should be on this

22 deposition, or entities and agencies,

23 are those who have provided prior

24 notice that they would attend or

25 participate in the deposition and those

1 that are bound by the terms of the
2 protective order.

3 So if you don't meet that
4 description, please sign off. We don't
5 want to have any issues with folks
6 livestreaming or Tweeting thoughts or
7 commentary on what's going on today who
8 hasn't agreed to the protective order.

9 And as before, we're happy to
10 meet and confer with folks after this
11 about de-designating portions of this.
12 But just to protect confidential
13 information for purposes of today,
14 we're designating the transcript as
15 confidential.

16 MR. COLODNY: All right.

17 MS. BRIER: Go ahead.

18 EXAMINATION

19 BY MR. COLODNY:

20 Q. Mr. Blonstein, my name is Aaron
21 Colodny. I'm a partner at White & Case. I
22 represent the Official Committee of
23 Unsecured Creditors in these cases.

24 Can you please introduce
25 yourself, again, for the record?

17

1 A. Sure. My name is Oren Blonstein.

2 I work at Celsius Network. Head of
3 innovation and chief compliance officer.

4 Q. Thank you.

5 So I'm going to ask you a series
6 of questions today. If you don't
7 understand the question that I ask you,
8 please let me know.

9 A. Sure.

10 Q. I'll try to restate it.

11 If you don't ask me for any
12 clarification, I'll assume that you
13 understand the question that I'm asking.

14 You've taken an oath today.
15 That's the same oath that you're going to
16 take in a courtroom. You understand that
17 everything that you say today is going to
18 be true and correct to the best of your
19 knowledge?

20 A. Yes.

21 Q. Is there any reason you can't
22 testify truthfully today?

23 A. No.

24 Q. Have you taken any medications or
25 other substances that would affect your

1 ability to testify truthfully?

2 A. No.

3 Q. Thank you.

4 We have a court reporter here
5 today. She's got the hardest job in the
6 room. And so I would ask that we try not
7 to talk over each other.

8 Sometimes I speak too fast. I
9 know that's something people do, you know,
10 but it is best to slow it down. And if she
11 asks you to restate something, just say it
12 again in the best -- best words you can.

13 And then the last ground rule for
14 that is answer verbally. You know, no
15 "uh-huhs" or --

16 A. No nodding.

17 Q. -- no nodding, just yeses and
18 nos.

19 And then your counsel may lodge
20 objections to my questions. As a general
21 matter, that's to make her objection on the
22 record. I'll give her time and ask her if
23 she's going to instruct you not to answer
24 the question.

25 Unless she instructs you not to

1 answer the question, you're supposed to
2 answer everything that I ask you today.

3 And then the last thing is, you
4 know, we can take as many breaks as you
5 want. If you're getting tired, if you want
6 to get a drink, just let me know. I just
7 ask if there's a question pending, we just
8 not take a break during a pending question.

9 A. Understood.

10 Q. Thanks.

11 Have you ever been deposed
12 before?

13 A. No.

14 Q. First time for everything, I
15 guess.

16 MR. COLODNY: Can I get one.

17 (Whereupon, Exhibit 4 is marked
18 for identification.)

19 MR. COLODNY: Let's start with
20 exhibit -- can I get one for the court
21 reporter.

22 Let's start with Exhibit 4.

23 BY MR. COLODNY:

24 Q. Have you seen this document
25 before?

20

1 A. Could you just give me one minute
2 to review it?

3 (Pause for reading/reviewing.)

4 A. Yes.

5 Q. What is this document?

6 A. It's a -- me attesting to the --
7 to the ownership of the assets in the
8 program.

9 Q. It's a notice of your deposition
10 today, why we're all here today.

11 A. Okay.

12 Q. And do you understand that you're
13 here today in your personal capacity, or
14 are you here as a representative of
15 Celsius?

16 A. I'm sorry. Can you restate that?

17 Q. Are you here in your personal
18 capacity or as a representative of Celsius?

19 MS. BRIER: Object to form.

20 THE WITNESS: Yeah, I don't think
21 I understand the -- I mean, in my
22 personal capacity --

23 BY MR. COLODNY:

24 Q. Are you testifying as Oren
25 Blonstein, or are you testifying as the

1 Q. A lot of hats.

2 A. It is.

3 Q. And do your responsibilities as a
4 chief product officer differ from what we
5 talked about as a chief innovation officer?

6 A. Yeah, tremendously. Yeah. Very
7 different.

8 Q. Okay. And what are your roles as
9 a chief product officer?

10 A. Chief product officer -- so the
11 distinction between innovation and product
12 is that innovation was supposed to be all
13 of the new products going forward.

14 The product team, you know,
15 historically was responsible for the kind
16 of -- the existing set of products, the
17 platform, you know, all the maintenance and
18 the administration of all those things.

19 So since there is no separate
20 innovation -- since I'm the innovation
21 person and the product person, I'm kind of
22 doing the whole thing.

23 Again, you can just say --
24 similar to compliance, you can say that in
25 a lot of different organizations they'll

1 have, like, new products and existing
2 products as the -- under the same umbrella.

3 And in the case of Celsius, it
4 was distinct when I started.

5 Q. And did you segment your teams
6 underneath you? So, like, you would have
7 your product team and your innovation team,
8 or was it kind of blended between each
9 other?

10 A. Yeah, this change happened post
11 the Chapter 11 filing, so there is -- you
12 know, there's one person left from the
13 innovation team. So -- and he's -- and
14 we've incorporated him into the product
15 team.

16 Q. And your appointment as chief
17 product officer happened after the
18 Chapter 11 case?

19 A. And -- yeah, and actually --
20 sorry to -- I should clarify, there has
21 been no official appointment. You know,
22 I'm not designated as the chief compliance
23 officer -- as a chief product officer.

24 I've just been taking on that
25 responsibility. I think the -- from my

1 perspective, we wanted to make sure that we
2 had a transition plan for the CCO role
3 before we changed my, you know, official
4 title.

5 Q. Okay. And prior to the
6 Chapter 11 case, did you do any work on the
7 existing earned product or the existing
8 offerings of the company?

9 MS. BRIER: Objection to form.

10 BY MR. COLODNY:

11 Q. I guess I'll ask it again.

12 You said that you became the
13 chief product officer or assumed the roles
14 of the chief product officer after the
15 Chapter 11 case, and you described the
16 chief product officer -- the difference
17 between the chief product officer and the
18 chief innovation officer as product being
19 focused on earned and existing offerings,
20 and innovation being premised on future
21 earnings and future products.

22 Did you have any involvement in
23 the earn and past products prior to the
24 Chapter 11 cases?

25 A. In my product capacity -- product

1 or innovation capacity, not really. I
2 mean, nothing of substance that I can
3 remember.

4 Q. Okay. And the other capacity
5 would be?

6 A. Compliance. I mean, so, you
7 know, since -- until April 2022, every
8 customer was an earn customer pretty
9 much --

10 Q. Uh-huh.

11 A. -- to my knowledge. Every single
12 customer we had fell under my purview as
13 the chief compliance officer.

14 Q. Okay. So then we're here today
15 to talk about the terms of use.

16 Can you describe your involvement
17 in the terms of use after -- let's start in
18 September when you joined. September 2021,
19 correct?

20 A. Correct.

21 Q. So what was your -- what was your
22 involvement in the terms of use on
23 September 2021, in that first period before
24 you got promoted?

25 A. I -- again, just to -- I

1 continued with my role as head of
2 innovation while I was the chief compliance
3 officer, so I was also dual hatting at that
4 time.

5 I was not involved in writing
6 terms of use. I was not involved in,
7 like -- you know, I was not like a step in
8 the process of having those reviewed or
9 approved.

10 I often consulted with them with
11 my innovation hat on from, you know, just
12 verifying, like, how we -- you know, how we
13 talked about certain things.

14 I often reviewed them in my
15 compliance role for, like, the -- the one
16 that stands out to me was we often had
17 questions about, like, our privacy policy
18 and, you know, what information we were
19 able to share with, you know, regulators or
20 other kind of third parties that were
21 asking for data about our customers.

22 So I was consulting mainly for
23 those purposes.

24 Q. And you mentioned how we talked
25 about certain things. What are you

1 referring to there?

2 A. So, for example, the first
3 product that the innovation team kind of
4 sponsored or -- was the swap product. So
5 we worked with our legal and regulatory
6 teams on crafting -- on the final outcome
7 of the terms -- the changes to the terms of
8 use for the swap product.

9 Just like seeing how do we talk
10 about that, is that consistent with how
11 competitors talk about it, things like
12 that.

13 Q. And when was the swap product
14 released?

15 A. We went into alpha in October
16 '21, and then just did like a slow rollout
17 over the months that followed. I think we
18 went general availability May 2022 or
19 something in that range.

20 Q. And did you have any other role
21 in how the terms of use referred to
22 products other than swap?

23 A. No.

24 Q. Were you involved in the
25 solicitation of acceptances of the terms of

1 use?

2 A. No.

3 Q. Could you describe your
4 involvement in the release of terms of use
5 Version 6? And when I -- I'm using terms
6 from your declaration.

7 Do you understand what I'm
8 saying --

9 A. Yep.

10 Q. -- when I say Version 6?
11 What do you understand Version 6
12 to be?

13 A. This was the -- when we
14 transferred the customer relationship from
15 the UK entity to the U.S. entity.

16 Q. Okay. And what was your role in
17 the rollout of Version 6?

18 A. That was -- that happened when I
19 was the head of innovation, not the chief
20 compliance officer. So I had zero -- zero
21 direct analysis or influence on it.

22 Again, because I was involved
23 with a lot of different parts of company.
24 I knew it was taking place. I also
25 reported to Roni at the time.

1 So, you know, I'm sure, you know,
2 parts of that came up in conversation, but
3 it wasn't something that I was tracking
4 directly.

5 Q. Okay. What was Mr. Cohen-Pavon's
6 role in the release of Version 6?

7 A. I think as our -- I should say I
8 don't know exactly, because -- because that
9 wasn't the area that I worked in.

10 But my overall understanding was
11 that he was kind of leading that
12 initiative.

13 Q. Do you know -- who were the other
14 main people that worked on the rollout of
15 Version 6?

16 A. I'm sure there were many, many
17 people involved in it. The individual --
18 one individual that I think had a -- played
19 a significant role is a guy named
20 Matthew de la Fuente. He was on the
21 project management team. I think he was
22 coordinating a lot of the activities.

23 Q. Does Matthew still work at the
24 company?

25 A. I think -- no, he was let go, I

1 think, last week.

2 Q. And what was his role in the
3 rollout of Version 6?

4 A. I think as, like, a coordinator.
5 You know, he's -- I think he headed our
6 project management office. So just
7 coordinating different -- coordinating
8 various initiatives across different
9 departments.

10 Q. So Matthew de la Fuente was the
11 project -- project manager that was in
12 charge of the rollout?

13 A. I'm not certain, like, if he was,
14 you know -- if there's a piece of paper
15 that says, like, here's the name of the
16 project and who's the head. I'm not sure
17 if he's the guy. But I know that function
18 reported to him. So he would have been,
19 you know, up to date on it.

20 Q. So I have a little bit of
21 background here because my wife is a
22 product manager.

23 A. Okay.

24 Q. But generally in Celsius, when
25 you had a project like this, would you have

1 a product manager, project manager that
2 would lead it?

3 A. Yeah, yeah. So, like, when
4 you -- you know, my experience -- you know,
5 20-something years of experience in this --
6 in product development and mostly in
7 startups, so small startups usually don't
8 have project managers, right? Product
9 managers do it all. Celsius was scaling
10 pretty dramatically.

11 And Matthew came in as part of
12 that, to build out a project management
13 function to kind of -- you know, so that
14 product managers could focus on their --
15 their area, you know, empathizing with the
16 user, building products that the people
17 want.

18 And project managers could take
19 the work of coordinating between the
20 departments.

21 Q. Okay. And so Matthew, while he
22 might not have been the project manager,
23 per se, he was the one that was organizing,
24 tracking milestones, work plans?

25 A. Exactly, yeah.

1 Q. Who was the product manager?

2 A. I'm not sure. Because I wasn't
3 the -- I wasn't in charge of product at
4 that time. I wasn't -- I'm not sure. We
5 also -- we've had, like, a lot of people
6 leaving from the product team.

7 Q. Uh-huh.

8 A. So, yeah, I'm not sure.

9 Q. Okay. And other than Roni and
10 Matthew, any other individuals that jump
11 out as -- at you as being kind of the main
12 people involved in the rollout of terms of
13 use Version 6?

14 A. Those are the two people I would
15 think. Like, if I had a question about it,
16 I would go to those guys for more details.
17 I mean -- yeah.

18 Q. Were you involved in the rollouts
19 of Version 7 or 8 of the terms of use?

20 A. Not directly.

21 Q. And who was involved in those
22 two?

23 A. I'm not sure, actually. I
24 don't -- I mean, my assumption would be the
25 same individuals that were involved in a

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1 lot of the terms of use rollout, so legal,
2 regulatory, potentially product -- I mean,
3 likely product.

4 Actually, 100 percent product.
5 Somebody from product would have had to
6 have been involved because of the way that
7 terms of use -- the way that it's
8 implemented.

9 A product manager sort of has to
10 take the text of the terms of use and put
11 it into the -- into the apps. So a product
12 person would have been involved, and a
13 project manager would have been involved.

14 Q. Okay. Are you familiar with the
15 QA processing in releasing products that
16 Celsius uses?

17 A. I am familiar -- I am getting
18 more familiar with it now since I've
19 assumed the product -- the head of product
20 role or the -- taken on those
21 responsibilities. I don't know the details
22 around it, though.

23 Q. And do you know if there was a QA
24 head on the rollout of terms of use
25 Version 6?

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1 you know, it might be missing a page or
2 something at a later date.

3 MR. COLODNY: That's fine.

4 BY MR. COLODNY:

5 Q. So what you have in front of you
6 is an attachment to the declaration of Alex
7 Mashinsky that you reference in your
8 declaration. And it is showing a redline
9 of terms of use Version 5 to terms of use
10 Version 6.

11 Have you reviewed this document
12 before?

13 A. I definitely, like I mentioned
14 before, reviewed -- reviewed the Mashinsky
15 declaration. And I'm aware of it to the
16 extent that anybody can be aware, you know,
17 keep in their mind 1100 pages of content.

18 But, yeah, I would have seen this
19 because I scrolled through the entire
20 document.

21 Q. So I'll help -- try to move
22 through it quickly, because, agree, it's a
23 long document.

24 On page 1, you'll see Celsius
25 Network Ltd. has been crossed out, and now

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1 it is Celsius Network LLC and its
2 affiliates, collectively we, our, us and
3 Celsius.

4 Was this one of the main changes
5 that you referred to in the previous
6 screen?

7 A. That's correct.

8 MS. YANEZ: Objection. Form.

9 BY MR. COLODNY:

10 Q. And then if you look at the next
11 page, the second full paragraph in all bold
12 and capitalized letters, it says, "Celsius
13 is a lending and borrowing platform. When
14 you transfer digital assets to Celsius,
15 those digital assets are a loan from you to
16 Celsius in accordance with the terms
17 hereof. Under no circumstances does
18 Celsius hold digital assets in custody or
19 on behalf as a part of the services
20 governed by these terms."

21 Are you aware of any time before
22 this terms of use where Celsius described
23 the transaction between its users and it as
24 a loan?

25 A. I would have to go back and

1 review those again. But, yeah, from -- off
2 the top of my head, I'm not aware of that,
3 yeah.

4 Q. Do you think it's material that
5 the transaction changed to be a loan?

6 MS. BRIER: Object to form.

7 THE WITNESS: I don't think
8 it's -- yeah, that's not my -- that's
9 kind of not my area. So I don't think
10 my -- my -- I'm not really qualified to
11 weigh in on that.

12 BY MR. COLODNY:

13 Q. Do you think that as a customer
14 of Celsius, this would have jumped out at
15 you from the new terms of use?

16 MS. BRIER: Object to form.

17 THE WITNESS: I think that
18 because it's bolded and underlined, it
19 certainly would jump out to someone.

20 So, yeah.

21 BY MR. COLODNY:

22 Q. And prior to this version, are
23 you aware of Celsius considering the
24 transaction between it and its
25 accountholders to be a loan?

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1 A. I wasn't really --

2 MS. BRIER: Objection to form.

3 Sorry, Oren. You can answer.

4 THE WITNESS: Yeah, I wasn't
5 really part of the group of people that
6 was considering, like, the regulatory
7 or legal implications of the terms of
8 use; so...

9 BY MR. COLODNY:

10 Q. Okay. I want to turn to page --
11 it's 327 at the top.

12 So here Celsius changes the term
13 "Celsius wallet" to "Celsius account."

14 Do you know why that change was
15 made?

16 A. I don't know. I don't know.

17 Q. Are there any specific wallets
18 associated with the earn service? I guess
19 strike that.

20 Do customers have a specific
21 wallet at Celsius linked to their account
22 in connection with the earn service?

23 MS. BRIER: Objection to form.

24 THE WITNESS: So all customers
25 are given a deposit address, which

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1 is -- so people will commonly call that
2 a wallet. That deposit address is kind
3 of the -- the initial lending place of
4 all digital assets that are sent to the
5 company.

6 And that's the extent of a
7 distinct or separate or a
8 customer-specific wallet or address
9 that Celsius maintains for customers.

10 BY MR. COLODNY:

11 Q. And then what happens once you
12 deposit your coins to that
13 customer-specific wallet?

14 A. Depending -- depending on the
15 volume or the amount of cryptocurrency,
16 periodically that cryptocurrency is swept
17 into main -- other wallets inside the
18 company, pooled omnibus wallets.

19 Q. Okay. But there's -- so there's
20 no specific wallet that holds an
21 individual's assets in the earn program?

22 A. Yeah, again, like the --
23 there's -- the way -- I talked about this
24 in my custody declaration was that, you
25 can -- a helpful way to think about this is

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1 that there is what the customer could see
2 via the app, and there's the coin movement.

3 And this is a common -- a common
4 practice across the industry. There's a
5 ledger that is maintaining the balance that
6 the customer is shown, and then there's the
7 actual underlying asset. This is common in
8 traditional finance and in crypto.

9 And so your question was -- your
10 question was --

11 BY MR. COLODNY:

12 Q. I can ask another question.

13 A. Yeah.

14 Q. So you say there's -- is your
15 understanding that what the customer would
16 see, is that the Celsius account as it's
17 defined in this terms of use?

18 So when I open up the app and I
19 see Aaron Colodny has three Bitcoin, that's
20 not kept in an Aaron Colodny wallet within
21 Celsius?

22 A. That is correct.

23 Q. But my Celsius account would say,
24 three Bitcoin?

25 MS. BRIER: Objection to form.

1 THE WITNESS: Yeah, so to -- so,
2 yeah, just going back to that split.

3 What you see in your app is a
4 representation of what we maintain on a
5 ledger of transactions. Where the
6 coins actually sit and whether they're
7 in the customer-specific wallet or the
8 omnibus pooled wallet, what we call the
9 main wallet, totally separate and
10 distinct.

11 So you may have -- if you put in
12 three Bitcoin, those three Bit -- and
13 those are your only Bitcoin -- for a
14 period of time those three Bitcoin may
15 sit in your individual wallet or the
16 add deposit address, but they could
17 just as easily be -- have been swept,
18 you know, a second after you deposited
19 them to the main wallet.

20 So that's why we don't refer --
21 we don't connect your view of your
22 balance to where the coins are sitting
23 in our infrastructure. We tie that to
24 the -- our tracking of your balances in
25 the ledger.

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1 BY MR. COLODNY:

2 Q. And so your Celsius account would
3 be your ledger balance?

4 A. Correct.

5 Q. And was a Celsius wallet a
6 different thing prior to Version 6?

7 MS. BRIER: Objection to form.

8 THE WITNESS: I don't -- yeah, I
9 don't know the -- I don't know the
10 reasoning why they decided to change it
11 from wallet to account.

12 BY MR. COLODNY:

13 Q. Could you turn to page 351 at the
14 top.

15 A. I'm sorry. What was the page?

16 Q. 351 at the top, the docket
17 stamps.

18 A. Got it.

19 Q. So if you look at the title,
20 "Celsius Removes" -- "Consent to Celsius'
21 Use of Your Digital Assets," and changes it
22 to "Consent to Celsius' Use of Digital
23 Assets."

24 Do you know why "your" was taken
25 out of the title?

1 MS. BRIER: Objection to form.

2 THE WITNESS: Yeah, don't have
3 firsthand knowledge. I mean, I wasn't
4 involved in the drafting of it, but,
5 you know, it's -- it's obviously more
6 clear, you know, based on the other --
7 the other terms of use if -- that
8 customers are transferring their assets
9 to the company, so there -- they
10 wouldn't be the customer's assets.

11 BY MR. COLODNY:

12 Q. Okay. And, again, three
13 sentences down -- or three lines down -- I
14 am sorry -- it says -- well, I'll read the
15 whole thing.

16 "In consideration for the rewards
17 payable to you on your Celsius account and
18 the use of your services, you grant
19 Celsius, subject to the applicable law and
20 for the duration of the period during which
21 the eligible digital assets are loaned to
22 us through your Celsius account, all right
23 and title to such digital assets," and it
24 continues.

25 Do you know why there was a

1 change from "available" to "loaned to us"?

2 MS. BRIER: Object to form.

3 THE WITNESS: I don't know.

4 Yeah, I don't know the reason why
5 they -- that change was made.

6 BY MR. COLODNY:

7 Q. Two more changes to this
8 paragraph on the next page, 352 at the top.
9 There's a change where it previously said,
10 "You may not be able to exercise certain
11 rights of ownership" to "You will not be
12 able to exercise rights of ownership."

13 Do you know why that change was
14 made?

15 A. I don't know.

16 Q. And then the last romanette iii,
17 there is a change where it introduces now a
18 bankruptcy disclaimer that says that a
19 customer "may lose its rights to recover or
20 regain ownership of such digital assets and
21 other than your rights as a creditor of
22 Celsius under any applicable laws, you may
23 not have any legal remedies or rights in
24 connection with Celsius' obligations to
25 you."

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1 Do you know why that change was
2 made?

3 MS. BRIER: Object to form.

4 THE WITNESS: I don't know.

5 BY MR. COLODNY:

6 Q. So we talked about the Coinbase
7 disclosure before where they disclosed in
8 their 10-Q that there was now a bankruptcy
9 risk disclosure with respect to the
10 ownership ability to recover assets in
11 accounts on the Coinbase site that was
12 highlighted for users in the 10-Q.

13 Are you aware of any
14 communication where Celsius highlighted
15 sub-romanette iii for its customers?

16 A. I'm not aware.

17 Q. And it wasn't listed on the three
18 main changes to the terms of use we
19 discussed before, correct?

20 A. That's correct.

21 Q. Are you aware of any
22 communications discussing flagging these
23 changes in paragraph 13 for accountholders?

24 MS. BRIER: Objection to form.

25 THE WITNESS: Am I aware of any

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1 communications where we tried to make
2 sure our customers were aware of this,
3 the changes? That was the question?

4 BY MR. COLODNY:

5 Q. I was asking a slightly different
6 question.

7 Are you aware of any
8 conversations within Celsius when Version 6
9 was released where people considered
10 flagging these changes for customers?

11 MS. BRIER: Objection to form.

12 THE WITNESS: No. And just to
13 provide more con- -- you know, just as
14 a reminder, like, at the time that
15 these -- these changes were being
16 considered or were implemented, I was
17 head of innovation. So I wouldn't have
18 been involved.

19 It makes even more sense, like,
20 why I wouldn't have been involved
21 firsthand in it.

22 BY MR. COLODNY:

23 Q. But you're not aware one way or
24 another if those conversations did or did
25 not happen?

1 A. The part -- the thing that I am
2 sure that they happened among counsel --
3 you know, among the attorneys for the
4 company. So -- but I was not a part of
5 those discussions. And, yeah.

6 MR. COLODNY: I'm at a pretty
7 good breaking point if you want to take
8 a break now?

9 MS. BRIER: Okay. Sounds good.

10 MR. COLODNY: Five minutes?

11 MS. BRIER: Do you want to break
12 for lunch or --

13 THE STENOGRAPHER: Do you want to
14 go off the record for this?

15 MS. BRIER: Yeah, let's go off
16 the record. Yes.

17 THE VIDEOGRAPHER: All right.
18 The time is currently 12:33 p.m., and
19 we are going off the record for Media
20 Unit No. 2 of today's testimony.

21 (Whereupon, a recess was taken at
22 12:33 p.m.)

23 THE VIDEOGRAPHER: All right.
24 The time is currently 12:44 p.m. This
25 is continuation of Media Unit No. 2 of

1 today's testimony.

2 And we are back on the record.

3 BY MR. COLODNY:

4 Q. One question to follow up on
5 something we discussed before.

6 So when customers transferred
7 property to the earn program, you said that
8 they transferred title to the earn program.

9 How could they then take out a
10 loan with that property they had
11 transferred being collateral for that loan?

12 MS. BRIER: Objection to form.

13 THE WITNESS: Yeah. So, I mean,
14 the way I -- I don't have these --
15 these terms memorized, but essentially
16 you would be foregoing the rewards that
17 you were -- so let me take a step back.

18 When you transfer title, you do
19 that in exchange for rewards that you
20 receive for giving the company your
21 coins. When you wanted to then borrow
22 funds from the company, you would
23 forego those rewards that you are
24 exchanging your coins for.

25 So you basically give up your

1 rewards, but then get the ability to
2 borrow coins.

3 BY MR. COLODNY:

4 Q. And what was the collateral that
5 the company was holding?

6 A. The coins that had been
7 transferred to the company already.

8 Q. And where was that collateral
9 held?

10 MS. BRIER: Objection to form.

11 THE WITNESS: Where was it held?

12 In the company's -- you mean,
13 like -- are you asking about, like --
14 like, what wallet?

15 BY MR. COLODNY:

16 Q. Right. When I think about having
17 collateral, you have an asset that you can
18 execute on if someone doesn't repay their
19 loan.

20 Where were the Bitcoins that were
21 held as collateral, using Bitcoin as a
22 general cryptocurrency, for a loan held by
23 the company?

24 MS. BRIER: Object to form.

25 THE WITNESS: Where were they

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1 held? Yeah, I think this is -- this
2 has been discussed, like, many times,
3 like, in other kind of venues. But
4 there's really no material difference
5 between the way coins in earn and coins
6 that were collateral were treated.

7 BY MR. COLODNY:

8 Q. So do you have an understanding
9 of how the company could hold collateral
10 that it didn't actually hold that was
11 deployed?

12 MS. BRIER: Objection to form.

13 THE WITNESS: How could...

14 I mean, the -- it would have
15 been, like, just -- logically, it would
16 be using the same -- the same
17 mechanisms for securing the -- its own
18 assets that it -- that it did for -- I
19 mean, in every other aspects.

20 So, for example, if it were
21 lending it out to an institution, it
22 should have done -- you know, it should
23 have performed creditworthiness check,
24 you know, to make sure it had
25 confidence it would be able to get

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1 those loaned assets back or had
2 sufficient collateral to protect -- you
3 know, to protect against losses.

4 And, I mean, without -- without
5 stepping through each one of those
6 things, like, the company should
7 have -- should have been taking steps
8 to make sure that that collateral
9 was -- was accessible.

10 BY MR. COLODNY:

11 Q. But there was no separate wallet
12 or structure to hold collateral, correct?

13 MS. BRIER: Object to form.

14 THE WITNESS: That is my
15 understanding. We basically -- we went
16 through this kind of in the custody
17 declaration.

18 There was a main wallet, and
19 coins that were held in that main
20 wallet were -- other than the funds
21 that were there on their path to the
22 custody account, were eligible for
23 deployment.

24 BY MR. COLODNY:

25 Q. Is there any way for the company

157

1 to trace a coin that was deposited in earn
2 to a specific customer?

3 A. Deposited...

4 So it's, like -- it's -- the
5 other way we can trace. So as they come
6 in, we can -- we know where they came from,
7 obviously. I mean, we know the blockchain
8 address that the coins came from.

9 Once they go into the omnibus
10 wallet, they're pooled, and they're largely
11 fungible. Depends a little bit on the
12 blockchain, if you want to get into the --
13 you know, whether it's an account-based
14 blockchain or a UTXO blockchain.

15 But largely, they're fungible,
16 and you can't distinguish between the
17 coins.

18 Q. So if I, Aaron Colodny, deposited
19 a Bitcoin in 2021 into Celsius, there's no
20 way to point to the coins that Celsius has
21 now and say, that one coin is
22 Aaron Colodny's Bitcoin?

23 A. We --

24 MS. BRIER: Objection to form.

25 THE WITNESS: We treated them as

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1 fungible. So since you used Bitcoin as
2 an example, Bitcoin is UTXO blockchain.
3 So technically every single transaction
4 has a dependency on the prior
5 transaction. So you could trace
6 fractions of your coin.

7 But your -- what started out as
8 your, let's say, three Bitcoin might
9 have been split into millions of
10 fractions of a Bitcoin.

11 And so, yeah, could we trace
12 every fraction of those? It's possible
13 to do that. I mean, that's what the
14 blockchain is for. But practically
15 speaking, that's not how we looked at
16 the coins. We treated them as
17 interchangeable.

18 BY MR. COLODNY:

19 Q. Do you have an idea of what it
20 would take to trace every single coin that
21 was deposited into Celsius to figure out
22 where it ultimately landed?

23 MS. BRIER: Objection to --
24 objection to form.

25 Sorry. Outside the scope.

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1 Go ahead.

2 THE WITNESS: Yeah. I mean,
3 that's only really possible with UTXO
4 blockchains. And so, like, for the
5 vast majority of the assets on the
6 platform were Ethereum-based, ERC-20s,
7 where that's not really realistic. I
8 mean, that's not possible.

9 For the UTXO blockchains, that
10 would be a massive undertaking. I
11 don't know of any -- any CeFi
12 institution that tries to do that.

13 BY MR. COLODNY:

14 Q. And you would be trying to trace
15 millions of -- hundreds of thousands of
16 customers to millions and billions of
17 assets?

18 A. That's right. And, again,
19 just -- you know, so if you have an address
20 that has three Bitcoin, you know, the
21 result -- like, if you -- let's say
22 somebody wanted to withdraw 10 Bitcoin.

23 We might collect the three
24 Bitcoin from the address that you sent it
25 to and then, you know, one other from seven

160

1 other addresses to piece that together into
2 10 Bitcoin that we would send to someone
3 who made a withdrawal request.

4 So it's -- yeah, it's very
5 complicated to do that.

6 Q. So you said before that you
7 weren't involved in the product rollout of
8 solicitation of acceptances for Version 6
9 of the terms of use, correct?

10 A. That's correct.

11 Q. And I believe you mentioned that
12 Roni -- and I'm blanking on the
13 individual's name?

14 A. Yarden.

15 Q. Yarden was the head of product --

16 A. Oh, sorry.

17 Q. Not head of product, the product
18 head or -- of the Version 6 rollout?

19 MS. BRIER: Object to form.

20 THE WITNESS: So there was --
21 there was Roni, in his capacity as kind
22 of head of regulatory or the -- you
23 know, the person who kind of -- you
24 know, person at the top of the
25 regulatory.

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1 correct?

2 MS. BRIER: Objection. Outside
3 the scope.

4 You can answer.

5 THE WITNESS: The -- so what I
6 was saying is that it's difficult to
7 trace the exact coin -- the exact coin
8 that a person -- an ERC-20 that a
9 person deposited into our platform as
10 it moved throughout the platform in
11 terms of -- you know, we treated them
12 as fungible once they came into the
13 platform.

14 BY MR. CREWS:

15 Q. Makes sense.

16 So in the UTXO, you're seeing the
17 flow from wallet to wallet?

18 A. Exactly, yeah.

19 Q. Have you taken any steps as a
20 company to make sure that customer deposits
21 are going towards earning rewards for them?

22 MS. BRIER: Objection to form.

23 And objection to scope, but you can
24 answer.

25 THE WITNESS: Sorry. Just

304

1 repeating...

2 So we maintain a record of coins
3 that our customers send to us on that
4 ledger, and then there's the coin
5 movements.

6 You know, and -- almost
7 regardless of what actually was going
8 on with those tokens that they sent in,
9 we were calculating based on the reward
10 rate what -- what rewards were owed to
11 them on the ledger.

12 So kind of regardless of, like,
13 where their coin was or if -- if a
14 particular coin that was sent -- that
15 was sent in was actually loaned out or
16 deployed on DeFi, that didn't really
17 matter, because how we calculated the
18 rate was -- or the rate that we set was
19 used by the software that calculated
20 the obligation to the customer on the
21 ledger.

22 BY MR. CREWS:

23 Q. Yeah. So a customer such as
24 myself, we could see the obligation that
25 we're owed, but in order for the reward to

305

1 be useful, Celsius would presumably have to
2 be actually using our deposit to actually
3 earn something?

4 MS. BRIER: Objection to form.
5 Outside the scope.

6 THE WITNESS: No, no. I mean,
7 it's the -- it's -- I was gonna make
8 the point -- if I understood you
9 correctly, making kind of the opposite
10 point is that it doesn't -- you know,
11 those coins could have sat there and
12 not been deployed at all and we may
13 have not generated any yield.

14 But we would have calculated --
15 you know, the -- their interest rate
16 would have been -- there -- an interest
17 rate would have been set or rewards
18 rate would have been set and the ledger
19 would be calculating what is owed to
20 you based on that rate.

21 So it was kind of -- you know, it
22 was -- the activity of the coins was
23 separate from the rewards that were
24 paid out.

25 BY MR. CREWS:

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1 Q. So was the reward paid out
2 calibrated to the deployment activities?

3 MS. BRIER: Objection to form.
4 Outside the scope.

5 THE WITNESS: Yeah. So I
6 should -- I mean, I was not involved in
7 setting rates. I was not involved in
8 the payouts. I was not involved in the
9 ledger. I was not involved in -- you
10 know, like, almost all of those things.

11 And obviously, you know, kind of
12 the proof is in the pudding, right?
13 And the output is that obviously the
14 deployment activities were not
15 sufficient for the rates that were --
16 the rates that were advertised.

17 BY MR. CREWS:

18 Q. So would you say that assertions
19 that 8 percent of revenues go towards
20 paying rewards would be inaccurate?

21 MS. BRIER: Objection to form.
22 Outside the scope.

23 THE WITNESS: Yes.

24 BY MR. CREWS:

25 Q. And can you provide any

307

1 assurances that deposits that customers
2 made did not go towards paying out
3 departing customers?

4 MS. BRIER: Objection to form.
5 Outside the scope.

6 THE WITNESS: No, I can't.

7 BY MR. CREWS:

8 Q. I want to do a screen share. And
9 this is the exhibit I emailed the court
10 reporter. Sorry, not my email box. One
11 second.

12 So this was prepared looking at
13 the SOFA report in combination with the 974
14 document of balances. And what's depicted
15 here from the left is a customer -- a
16 corporate customer based in Australia, who
17 deposited 131,000 USDC into their Celsius
18 account on 8:28 a.m., the date of the pause
19 on June 12.

20 Now, this specific entry in the
21 SOFA report is on page 5448. And it was
22 used -- essentially a query -- pull the
23 transaction from the blockchain to show
24 that this was funded from their Binance
25 account.

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1 So at 8:28, \$131,000 flowed from
2 this customer's Binance account into their
3 personalized deposit address at Celsius.
4 Five minutes later those funds went into
5 Celsius's wallet No. 5.

6 There were nine transfers
7 throughout the day into a Celsius
8 frictional wallet, as you've referred to
9 it, and I believe you said it is a Celsius
10 terminology.

11 There was one particular
12 transfer, 8:41 a.m., in the amount of
13 \$789,000 USDC, and there were a total of
14 7 million transfers and nine different
15 transactions that day, which were in the
16 table below.

17 Later that day, there were
18 withdrawals made by two separate customers,
19 refer to this as customer B and customer C,
20 at 5:19 p.m. \$99,000 were withdrawn to
21 this person's personal deposit address at
22 FTX, and it was then transferred internally
23 to their comingle address.

24 Another customer at 5:04 p.m.
25 withdrew \$36,000 into their Coinbase

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1 personalized deposit address and another
2 \$100,000 just later.

3 Assuming that this exhibit is
4 accurate, would it be plausible for
5 customers B and C to the right to think
6 that their -- or, sorry, for customer A to
7 think that customers B and C were receiving
8 their USDC?

9 MS. BRIER: And, Mr. Blonstein,
10 before you answer, Mr. Crews, can you
11 provide some additional context for
12 this document?

13 And who created this?

14 MR. CREWS: I created it.

15 MS. BRIER: Where did it come
16 from?

17 MR. CREWS: Yeah.

18 MS. BRIER: And what is it based
19 on?

20 MR. CREWS: It's based upon the
21 SOFA report which is 973 document, the
22 balance transfer document, 974, and
23 blockchain analysis that I've
24 conducted.

25 MS. BRIER: So, Mr. Blonstein --

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1 objection to foundation and outside the
2 scope.

3 And, Mr. Blonstein, to the extent
4 that you can verify and know the
5 information that he's asking you about,
6 you can answer in that context and that
7 context only.

8 BY MR. CREWS:

9 Q. Perhaps first we can start, would
10 the flow of funds from a personalized
11 deposit address into Celsius's wallet
12 No. 5, into a frictional wallet, is that
13 consistent with your understanding of how
14 transfers work with Celsius?

15 MS. BRIER: Objection to form.

16 And outside the scope.

17 THE WITNESS: Should I -- okay to
18 answer, or...

19 MS. BRIER: That question you can
20 answer. To the extent he's asking you
21 questions about this chart, I would
22 answer if you know and understand that
23 what's there is true, and only if you
24 know what's there is true.

25 THE WITNESS: I think some of

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1 this is in line with my declaration on
2 the custody -- my concern -- my custody
3 declaration and the flow of coins
4 between wallets.

5 So the personalized deposit
6 address in the declaration, we call
7 those the bridge -- bridge wallets, and
8 those were periodically swept to a main
9 wallet, which maybe you're calling
10 wallet No. 5.

11 And then that is true that
12 periodically assets were moved from the
13 main wallet into frictional. Also
14 true.

15 I mean, you know, my
16 understanding is that, like, because
17 this is a pooled account -- a pooled
18 wallet, it's not -- I don't think it's
19 like a -- it's not necessarily a good
20 conclusion to make that if you're
21 saying that the customer on the
22 right -- the customers on the right
23 were -- that's what I think your
24 question was.

25 Should the customers on the

312

1 right -- or should the customer on the
2 left think that the customers on the
3 right were withdrawing his coins -- his
4 or her coins, is that -- that was
5 your...

6 BY MR. CREWS:

7 Q. Yeah. Essentially, I think I'd
8 agree with you that when it comes to --
9 it's essentially similar to once you have
10 commingled funds in an account, you can't
11 specifically say that, you know -- like,
12 it's basically if you're pulled over by a
13 cop and you say, I pay your salary. You
14 can't really say that, although maybe it's
15 true in a sense.

16 A. Uh-huh.

17 Q. But I suppose it was -- do you
18 think that -- put it this way, is there any
19 measure that Celsius has taken to prevent
20 commingling such that customer A wouldn't
21 think that their funds are just going to
22 pay out departing customers?

23 MS. BRIER: Objection to form.

24 This is far outside the scope of the
25 terms of use issues that we're here to

313

1 discuss today.

2 You can answer, if you know.

3 THE WITNESS: Yeah, I mean,
4 it's -- yeah, it's pretty far outside
5 of what I worked on. You're asking
6 about what measures were in place to --
7 you know, because of the -- what
8 measures were in place to potentially
9 prevent something like that from
10 happening.

11 Funds were commingled. Coins
12 were commingled. So it's very hard to
13 make that conclusion.

14 Like, you know, you're not -- in
15 this diagram, you're not necessarily
16 reflecting that other withdrawals might
17 have been made at this time to --
18 sorry, not withdrawals -- deployments
19 may have been made from wallet No. 5
20 to, you know, institutions that were
21 borrowing or to DeFi.

22 You know, other customers may
23 have deposited -- the same customers,
24 for instance, that you're showing on
25 the right may have also deposited.

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1 So there's a lot of other -- so
2 there's a lot of other possibilities.

3 And I think, you know, the --
4 this is why generally a lot of the CeFi
5 crypto industry, the centralized crypto
6 industry has defaulted to this kind of
7 setup is that operationally this is
8 simpler to manage. You're not trying
9 to have to track individual user coins
10 and -- you know -- you know, the
11 simplicity of having a pool of assets.

12 But, yeah -- so, I mean, that's
13 my answer.

14 BY MR. CREWS:

15 Q. I'd like to move on to questions
16 regarding the API agreement with partners.

17 Are you aware that Vermont issued
18 a cease and desist letter, Docket
19 No. 22-021-S?

20 MS. BRIER: Objection to form.
21 Outside the scope.

22 THE WITNESS: I mean, I was aware
23 that there were many -- many states
24 were sending us -- yeah, we were --
25 yes. I mean, I don't know -- actually

315

1 know of that specific document, but I
2 do remember Vermont had sent us -- had
3 sent us something.

4 BY MR. CREWS:

5 Q. I have this excerpt from
6 Vermont's letter that I'd like you to read,
7 Sections 27 through 28. And then 29 as
8 well. I could read aloud. It's about the
9 Celsius API partner program. 27 says --

10 MS. BRIER: Can you read this,
11 Oren?

12 THE WITNESS: I can't read what's
13 on the screen.

14 MR. CREWS: I can make it bigger.

15 MS. BRIER: And, Mr. Crews, can
16 you give us more detail on what you're
17 showing? I can't read it myself.

18 MR. CREWS: Yeah. This is
19 describing the Celsius API partner
20 program in the letter that Vermont
21 sent.

22 MS. BRIER: What page are you on,
23 for the record?

24 MR. CREWS: It's on page 6 of the
25 document.